

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ADP-00 INT-08 EUR-25 AID-20 CIAE-00

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FM AMEMBASSY OUAGADOUGOU

TO USDOC WASHDC

AMEMBASSY LONDON

INFO AMEMBASSY ABIDJAN

SECSTATE WASHDC 6198

AMEMBASSY BAMAKO

AMEMBASSY LAGOS

AMEMBASSY NIAMEY

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E. O. 11652: N/ A

TAGS: BBAK, ENRG, UV

SUBJ: OIL REFINERY PROPOSAL BY PRITCHARD- RHODES

ABIDJAN FOR REDSO/ WA

1. SUMMARY. PRITCHARD- RHODES LTD, UK SUBSIDIARY OF INTERNATIONAL SYSTEMS AND CONTROLS CORP (ISC) OF HOUSTON TEXAS, HAS ADVANCED TO NIGER AND VOLTAN GOVERNMENTS PROPOSAL FOR SURVEY AT ISC EXPENSE TO DETERMINE POSSIBILITY OF BUILDING SMALL OIL REFINERY AT GAYA, NIGER, TO SERVE UPPER VOLTA AND NIGER. ACTION REQUESTED: REQUEST USDOC AND AMEMBASSY LONDON PROVIDE COMMERCIAL BACKGROUND INFORMATION ON ISC AND PRITCHARD- RHODES LTD. RESPECTIVELY, INCLUDING EXPERIENCE OIL REFINERY FIELD.

1. ISC/ PRITCHARD REP BUNETTA HAS JUST VISITED NIAMEY AND OUAGADOUGOU TO FOLLOW UP ON PROPOSAL ADVANCED BY THEM LAST NOVEMBER. IN ADDITION GOVERNMENTS, HE CONTACTED LIPTAKO- GOURMA AUTHORITY SYG SAMAKE, WHO

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EXTREMELY INTERESTED IN IDEA. WE PRIVATELY CAUTIONED SAMAKE AFTERWARDS THAT CAREFUL ECONOMIC STUDY NEEDED.

2. PROPOSAL IS FOR FEASIBILITY STUDY FOR CONSTRUCTION SMALL REFINERY (10,000 BBL/ DAY) AT GAYA USING NIGERIAN CRUDE, TO BE BROUGHT UP RIVER BY BARGE, TO PRODUCE GASOLINE, KEROSENE, FUEL OIL, AND POSSIBLY ASPHALT. MARKET INITIALLY WOULD BE NIGER AND UPPER VOLTA, WITH POSSIBLE EVENTUAL EXTENSION TO NEIGHBORING PARTS OF MALI, TOGO, NIGERIA, DAHOMEY, AND GHANA. ANTICIPATED INVESTMENT WOULD TOTAL \$10 TO \$12 MILLION, OF WHICH 3/4 WOULD BE EXPORT CREDITS (BRITSH AND SOME US) AND REMAINDER EQUITY.

3. PRITCHARD/ ISC HAS PRESENTED DRAFT AGREEMENT TO NIGER AND VOLTAN GOVERNMENTS. UNDER IT COUNTRIES WOULD AGREE IN PRINCIPLE TO CARRY OUT PROJECT IF THEY LATER AGREE STUDY SHOWS IT FEASIBLE AND IN THAT CASE TO: JOINT PROVIDE 75 PERCENT OF EQUITY, WITH REST BY ISC/ PRITCHARD; HIRE ISC/ PRITCHARD TO DO ENGINEERING AND CONSTRUCTION; NOT IMPOSE TAXES AFFECTING REFINERY WHICH WOULD EXCEED RATES USED IN FEASIBILITY STUDY.

4. COMMENT: PROPOSAL REMINISCENT OF THAT RAISED BYD MOLTAN FONMIN CONOMBO LAST FALL (USUN 3496, OUAGA 1477). WE REMAIN SKEPTICAL ECONOMIC FEASIBILITY SUCH PROJECT. WHILE POSSIBILITY BARGE TRAFFIC UP NIGER RIVER MAY SOLVE ONE OF TRANSPORTATION PROBLEMS, OTHER DIFFICULTIES REMAIN: NARROWNESS OF MARKET, HIGH- COST NATURE OF SMALL INLAND REFINERY, AND LACK OF ECONOMIC TRANSPORT TO MALI. AS FOR UPPER VOLTA, IMPORT OF ALL KINDS PETROLEUM PRODUCTS TOTALED ON 54,000 TONS IN 1971 WHICH, IF WE HAVE RIGHT CONVERSION FACTORS, IS ABOUT 10 PERCENT OF PROPOSED REFINERY THROUGHPUT.

BULLEN

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